FACTS EVERY VOTER SHOULD KNOW ABOUT ALBERTA SOCIAL CREDIT

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Never before in Alberta's history has a situation arisen so fraught with danger to the public welfare as it faces today. It calls for clear thinking and cool judgment if that danger is to be avoided.

Many people in Alberta without access to accurate sources of information are under the misapprehension that the movement originated by the Prophetic Bible Institute of Calgary (now known as Alberta Social Credit) is a plan approved by Major C. H. Douglas, that can easily be set in motion, that is constitutionally and economically sound, that will give each adult $25 a month in perpetuity for nothing, and not add to the burden of taxation.

"TECHNICALLY UNSOUND" SAYS DOUGLAS

It is not sponsored or approved by Major Douglas. On page 124 of the published evidence before the Legislative Enquiry on Social Credit, 1934, Major Douglas after first professing not to have read Mr. Aberhart's pamphlet "The Douglas System of Economics" unfolding his scheme, admitted:

> "This booklet was submitted to the Secretariat (of the Douglas Social Credit headquarters) and the verdict of the publication committee was that it was **technically unsound.**"

"NO POWER TO DO IT"—DOUGLAS

Asked explicitly if Alberta has power to put Social Credit into force in the province if a scheme was worked out, Major Douglas stated (pages 96-97):

> "So far as Alberta is concerned . . . . all power over finance and banking as such has been skilfully removed from the power of this House . . . . You cannot do it because you won't be allowed . . . ."

TWO YEARS AT EARLIEST

It cannot be immediately effective. In his Manual Mr. Aberhart says it will take 18 months of enquiry to work out a Plan to submit to the Legislature. This would mean that it will be 1937 at earliest before his Bill could reach the Legislature.

CAN'T DO IT HIMSELF

Asked by the Premier to state "just what your steps would be, one by one" if he was appointed to bring Social Credit into force in Alberta, Mr. Aberhart replied: (page 72).

> "The first step would be to ask permission to engage Major Douglas to come here and organize it and he would do the work . . . . I think if my expenses were paid I could go to Major Douglas or someone else and get the details".

He frankly told the Committee (page 64) "I have no plan to offer". This statement he repeats in his Manual, saying that it merely outlines his "scheme". As such it can be examined.

ABERHART SCHEME NOT SOCIAL CREDIT AT ALL

It is a gigantic levy or tax proposal. Major Douglas, father of the Social Credit movement, in his letter to Attorney-General Lymburn, June 1st, 1935, says:

"So far from such a proposal (Aberhart's) increasing purchasing power, **it is a form of taxation,** which in all probability **decreases purchasing power by raising prices . . . .** It would appear on the face of it that Mr. Aberhart has not grasped that Social Credit involves the **creation of additional purchasing power."**

In the Social Credit Chronicle, May 17th, 1935, Mr. Aberhart says:

"The total amount of credit issued by the Province in the form of dividends is recovered by an unearned increment levy charged into the just selling price of goods."

This is a sales tax, pure and simple. Douglas, and every other economist recognizes it as such. It will ruin producers in particular and consumers in general by increasing prices and reducing the purchasing power of money.

The two main features of the Aberhart Scheme are:

(a) Free "basic dividends" to all adults of $25 per month (total $120,000,000 per year).

(b) Fixed prices of goods and fixed wage scales, in each case, by Government Boards—the so-called "Just Price" feature.

FREE BASIC DIVIDENDS

These are to be paid in credit, **not money.** Professor Elliott, head of the Department of Economics of the University of Alberta, says that unless these Social Credit certificates are supported by taxation, they will become worthless (Evidence page 13, 14). Mr. Aberhart proposes a levy (sales tax) method of recovery; no longer is it proposed to merely issue "money" from the "blue ink of the fountain pen."

These dividends are to be paid to rich and poor alike as long as they have faith and don't oppose Mr. Aberhart. True Social Credit would apply only to those who receive less than an agreed income.

The basic dividend, to be of value, must be equivalent to $25 worth of actual goods, or 25 Canadian dollars. Otherwise it is a fake. At the end of the first year persons receiving the free monthly $25 dividend, must have actually received 120 million dollars worth of goods. Somebody must supply all those goods. Those who supply them must be paid a similar quantity of other goods and services, or in Canadian dollars, namely 120 million dollar's worth. Those who supply the goods would be farmers, miners, factory and other workers.

Those who get the $25 dividend receive it **free.** They do not give any goods or services to the State in return. It follows, that if the people who receive free dividends totalling 120 million dollars per year, do not produce goods to exchange for their gifts, somebody else must pay for the goods or produce 120 million dollars' worth of goods and services to be given away. Whether money circulates once a year or 1,000 times a year, has nothing to do with it. The fact remains that if 120 million dollars worth of goods are to be given away free to certain persons each year, certain other persons must pay or produce 120 million dollars' worth of goods.

The Aberhart "flow of credit" theory does not help. If A buys $1.00 worth of meat from B, who spends the same $1.00 with C for a shirt, and C in turn spends the same $1.00 with D for a cap—does $1.00 buy $3.00 worth of goods? No! In the long run all free dividends must be paid for by the producers and workers of Alberta.

ALBERTA CANNOT STAND MORE TAXATION

Our total revenues are a little over $15,000,000 yearly. Of this $4,698,000 is raised by taxation of all kinds. The balance of the revenue comes from Dominion subsidies, liquor profits, fines and penalties, fees, etc. To pay out free dividends of 120 million dollars over and above our ordinary income, we

shall have to raise a sum greater than the combined yearly incomes of the Provinces of Ontario, Manitoba, Saskatchewan, Alberta and British Columbia. Such a proposal is unreasonable and impossible on its face.

Mr. Aberhart says there is to be "an unearned increment levy" **charged** into the price of goods. Our chief production consists of primary products. Where is the "unearned increment" in a bushel of wheat, a load of cattle, a box of fish, a ton of coal, or in a load of lumber? Ask the farmer, the coal miner, and the fisherman what part of his product is "unearned". Other workers and producers will give you the same answer.

Our Unearned Increment Tax Act (a tax on land sales) has been in force in Alberta for 20 years. In that time it has yielded only $1,500,000 in revenue. There is no "unearned increment" in goods at all. It is a myth. Such a tax or levy will never yield a dime unless it increases present prices enormously. The Aberhart scheme will take far more from the pockets of the poor in higher prices than it will ever put into them in dividends.

Some Social Creditors suggest an income tax. The taxable incomes in Alberta last year totalled 52 millions. If th entire income of all income tax payers were confiscated, less than half the amount required to furnish the dividends would be realized, leaving such taxpayers dependent solely on charity. How long could Alberta continue on that basis?

Mr. Aberhart is in no doubt that the proposed unearned increment levy is a tax in the ordinary sense. For example he writes in the Manual (p.63).

"60. (a) How can you possibly make a levy on imports or exports?"

Answer.—The same as we are doing today. **There is a levy on gas exported today and on gasoline imported."**

He calls the Gasoline Tax of 7c per gallon a levy on gasoline. The Aberhart levies will be taxes on all the goods we consume, identical with the present day Gasoline Tax. At page 41 in the Manual he says:

> "The unearned increment would be collected on each transaction, thus making the levy very small. To make this plain **let us suppose that the unearned increment levy is five per cent.** When the manufacturer sells $5 worth of goods, the Government, therefore, would get twenty-five cents. Suppose the wholesaler sold these same goods for $6, the Government would get thirty cents. Then suppose the retailer sold them for $7, the Government would get thirty-five cents. The Government therefore is collecting **in reality ninety cents** from $5 worth of merchandise, or, that is, 18 **per cent** of the manufacturer's cost comes from a five per cent unearned increment levy."

Nothing could be clearer. Under the Aberhart scheme there would be tax after **tax** on every article at every stage, similar to the Gasoline Tax today, totalling over 120 millions per year.

THE WORKER UNDER THE ABERHART SCHEME

In his Social Credit Manual (p. 21) Mr. Aberhart says,

> "Salaries or wages for work done will be paid as now, but in credit, **not money."**

It would be bad enough to get free dividends that may prove worthless, but wages earned by labour must surely be paid in real money. Who is there willing to work faithfully, to be paid in a medium that is almost certain to prove worthless? Wage earners require pay cheques that are good as money anywhere in Canada. He and his dependents can not take a chance.

Mr. Aberhart plans to appoint a Government Board to fix all wage scales (see Social Credit Manual p. 21). If the wages so fixed do not suit Mr. Aberhart, he could discharge the Board and appoint new commissioners to do his bidding.

What happens to the Union Labour movement? It disappears before the dictator because collective bargaining, the objective of labour, is no longer possible.

But why compel employers to pay wages in Social Credit certificates instead of money? The reason is indicated in the Social Credit Manual (p. 62) where Mr. Aberhart answers a question as follows:

> "57. How would we get the Dominion money to use when we wish it?"
> Answer:—Our exports and the service of men living in the Province working for the C.P.R., the Insurance Companies, the Post Offices and so forth, would constantly give us a claim upon the Banks which would bring the Dominion currency into our coffers."

The cold fact is that Mr. Aberhart plans to conscript all wage cheques from the outside, so as to get his hands on Dominion currency with which to pay bond interest and other Government debts to the outside. The workers are to get Social Credit certificates instead of real Canadian money.

Under the Aberhart scheme no direct relief is to be paid. In the Social Credit Manual, (p. 14) Mr. Aberhart says:

> "This (the free basic dividend) would at once remove all relief and dole."
> and at page 35, he says: "There is no relief or dole."

At present the Dominion pays the province monthly $100,000 in cash for direct relief. The Province in turn pays the City of Edmonton $47,500 in cash per month for direct relief. The basic dividend of $25 per month is intended to provide the bare necessities of food, clothing and shelter in place of direct relief. Persons on relief will not get both dividends and direct relief. Thus, if the dividends turn out to be of little or no value, and if the levy (sales tax) increases prices enormously, as it must, relief recipients must suffer more disastrously than anyone under the Aberhart scheme. Direct relief may not be adequate but it is sure. A bird in the hand is worth two in the bush.

PRODUCERS UNDER THE ABERHART SCHEME

The bait for the farmer is the "just price" for his products. Professor Elliott says (see p. 12):

> "Now Alberta is not a self-contained Province. She specializes in the production of primary products, sells these for the most part outside her own borders, and with the proceeds imports from outside most of the goods consumed in the Province. No action of Alberta can materially affect the price received in outside markets for her products; nor the price in outside markets that her citizens must pay for their imports."
> " . . . no action which Alberta can take, constitutional or unconstitutional, will affect materially the price in terms of Dominion currency which her citizens will receive for their exports or the price in Dominion currency which they will have to pay in outside markets for the things they buy."

This is the opinion of the best neutral authority in Alberta on the so-called "just price" feature.

In the Social Credit Manual (p. 29) Mr. Aberhart illustrates his **levy on the producer** as follows:

> "The province will be able to collect a levy that will provide the basic dividends to distribute to the various citizens. To illustrate this let us take a bushel of wheat, say at a just price of sixty cents. Fifty-five cents of this is to go to the farmer and will provide a fair commission on his turnover. Five cents will be set aside for the Government Levy. The wheat is sold to the miller who grinds it into flour. The cost of grinding will be covered by the shorts and bran and other by-products of the process. This will produce about forty pounds of flour. We will suppose that the flour sells for $1.10, ten cents of which is again given to the Government as its levy. The flour is next turned to the baker

who makes it into bread which he sells at seven cents a loaf. The forty pounds of flour with the water and other ingredients would make fifty loaves of bread. Suppose the Government Levy on this bread was a cent a loaf. That would give an additional fifty-cents levy. Thus from a bushel of wheat, processing it to flour, the Government would be able to collect possibly sixty-five cents. This will also apply to other goods that will be processed or marketed in the Province."

Writing in the Social Credit Chronicle, June 21st, Mr. Aberhart says:

"The unearned increment levy to be included in the above-mentioned just price is a part of the price itself."

This means that the levy is added to the price. That, of course, increases the price.

The Manual shows that Mr. Aberhart plans to collect 65c in levies (taxes) out of a bushel of 60c wheat. Every charge, levy, or tax on a bushel of wheat is in the long run paid by the farmer. Who pays the thresh bill, the elevator charge, the freight, the inspection and weighing fees, and the sales commission? Is it the consumer? No, the farmer pays because wheat is a world commodity and sells on a world market at a world price. Every charge interposed between the producer of a world product and the ultimate consumer must be paid by the producer. Mr. Aberhart says the consumer will pay this levy. (See Manual, p. 39). Every farmer knows that statement is wrong.

It is claimed that a "just price" will be fixed to cover the cost of production, plus a fair commission per bushel. But if the fixed price is below the market or world price, the producer is much worse off than at present. In such event Mr. Aberhart says (see Social Credit Manual p. 35):—

"The producers would receive the just price and also a large share of the extra price above it. An extra unearned increment levy would be collected by the Government in that case."

If, however, the fixed price is above the market or world price, who will buy the wheat? That is our trouble at present. We have an enormous carry-over of 230 million bushels which accumulated because we tried to keep our price above the market. Nobody can compel the consumer to buy. If the price is too high, he will do without, or use substitutes. If, on the other hand, the intention is that Alberta is to make up the difference between the fixed price and the market price, that difference can only be made up by taxation. If we are to bonus or subsidize production, we can do so now. We have done so in the past. It is quite unnecessary to scrap our whole economic system and to replace it with a new, untried and doubtful scheme such as the Aberhart scheme in order to accomplish the same result.

In his Manual (p. 37) Mr. Aberhart answers a question on this point as follows:

"11. If the price of wheat on World Market was fifty-five cents and our Just Price was sixty cents, how would we be able to export our wheat? Answer:—The Government would allow the farmer **a bonus** of five cents on his wheat and they would **collect it back by an unearned increment levy on the imports,** thus balancing imports with exports. The ratio would be maintained. For example, if forty bushels of wheat are balanced with a suit of clothes, if wheat is fifty cents a bushel, the clothes should be $20 a suit. If Wheat is sixty cents a bushel, the clothes should be $24 a suit. If we give the farmer $24 for forty bushels of wheat of which the Government bonus is $4, when the $20 suit of clothes comes into Alberta, we would levy $4 on it so that the same ratio would be maintained."

This contemplates that the farmer will not get the full just price in the long run. He may receive it in the first instance, but the advantage over the world price is immediately taken away from him in increased taxes on his clothes and other consumable goods.

Mr. Aberhart evidently intends to conscript the money realized from exports such as wheat, cattle, dairy products, lumber and coal. His answer to question 57 as quoted indicates that not only does he intend to pay wages in Social Credit certificates, but also he intends to pay farmers and other producers in Social Credit certificates instead of real money. Aside from the illegality of such a proposal, it is unsound and ridiculous.

WILL THE SAVING OF MONEY BE PROHIBITED?

At the top of page 23 in his Manual, Mr. Aberhart says:

"All basic dividend credit and all salaries, or wages or incomes from whatever source, must be expended by the end of the year following the receipt of the same. To encourage individual enterprise and to enable the individual to provide more adequately for the future, surplus credit may be used to purchase Government Bonds, maturing at a later date, for himself or for another."

In his evidence before the Legislature in April, 1934, Mr. Aberhart suggested a "Compulsory Spending Act" (See p. 18). Such talk is opposed to the teaching of the ages. Wise parents teach their children to save money, to provide for times of stress and especially for old age. Could anything be more ridiculous than the Government enacting a law preventing people saving money?

THE ABERHART SCHEME AND ITS OPPONENTS

The most extraordinary feature of the scheme is his threat to punish political opponents. Governments are elected to administer public affairs in the general interests of all people, irrespective of party, religion or race. This does not seem to be Mr. Aberhart's idea of Government. In the Social Credit Manual (p. 47) he writes:

"23. What would you do if a person did not wish to join with the Social Credit idea?

Answer:—In the first place he would not receive any monthly dividends. It would be impossible, in the second place, for him to evade the Price Control feature. In the third place, he would have to be taxed just in the same way that he is taxed under this present system which he wishes to maintain."

This means that if he should win the election, those who have voted against him will be denied fair treatment under his system.

WILL THE "BASIC DIVIDEND" BECOME OBSOLETE TOO

In his Social Credit pamphlet "The Douglas System of Economics" published in 1934, Mr. Aberhart said (see p. 2):

"All citizens having money in the banks, Trust Companies, etc., should purchase Government bonds bearing 4% interest, payable in credit and maturing at such times as the citizens desire. With the money thus obtained, the Government will at once proceed to liquidate all Provincial debts outstanding."

Mr. Aberhart then intended to perpetuate the interest system at 4%, which is only slightly lower than the general average present rate. But Ontario is borrowing money at 2.9% and the Australian States are borrowing money at 3½%. Confronted with this, Aberhart supporters now say that this feature is "obsolete."

In the same pamphlet (p. 3) Mr. Aberhart said:

"If the money is inadequate to meet the present indebtedness (that is the Provincial bonded debt) the citizens may be called upon to transfer the cash surrender values on life insurance policies or other documents that would produce money, for Provincial Government bonds as above."

This was a threat to confiscate savings in life insurance policies if enough citizens do not come forward with their bank savings to pay off the Provincial debt.

Draw this to the attention of Aberhart supporters, and again they tell you that that feature is "obsolete".

These statements are contained in Mr. Aberhart's pamphlet discussed before the Agricultural Committee of the Legislature in April, 1934. Within one year they have become obsolete. Who can say that the promise to pay the $25 dividend will not be treated as "obsolete" within one more year. Mr. Aberhart changes his scheme so often that not one of his definite statements can be seriously relied upon.

CONFISCATION TO BE EMPLOYED

In the Manual, (p. 53, q. 34) Mr. Aberhart says:

> "It is not the intention of Social Credit to confiscate or take anything away from those that already have it."

Other statements in the Manual do not bear out this promise. For instance, as already shown, wages are to be paid in credit, not money. At page 23 Mr. Aberhart says:

> "If he (the worker) earns wages, these will also be entered on the credit side (of his dividend book at the State Credit House)".

Who gets the real money? It is simple. The worker leaves his pay cheque or cash at the Credit house for the use of the Social Credit Government, and walks out with Social Credit certificates in his pocket. Farmers are to be dealt with in the same way. (See q. 57 above quoted). All cheques from the outside will be used to

> "Bring the Dominion currency into our (Social Credit) coffers."

The Farmer must give up his cheque at the Credit House for Social Credit certificates. **This is conscription of wealth—confiscation.**

In question 32, (p. 51) Mr. Aberhart writes:

> "32. If I should leave Alberta, would I lose everything?
>
> Answer:—No. You would be able to sell your property if you desired. You could carry your bonds with you, if you preferred to do that. There might be a restriction upon anyone **carrying away more than they and their loved ones could use** for the rest of their lifetime."

What becomes of the property the citizen may be restricted from moving out of Alberta? Who gets it? Does Mr. Aberhart suggest that the Government has any right to take the property of a person who wishes to remove from here to another Province or country? At present, citizens are free to come and go, to sell out and move away. Had we such a law in Alberta, could we expect anyone with money to come here, help us develop this Province, pay taxes and provide work?

Whatever the goodness of the motive which prompted the Prophetic Bible Institute of Calgary to embark upon this politico-economic venture, it is clear from examination that it is unsound economically, as well as legally.

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